

Message Text

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51

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 FEAE-00 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 SSO-00

NSCE-00 INRE-00 DRC-01 /148 W
----- 096478

O R 282030Z AUG 74

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC IMMEDIATE 7688

INFO AMEMBASSY CARACAS

AMCONSUL CURACAO

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

LIMITED OFFICIAL USE BRIDGETOWN 1491

E.O. 11652: N/A

TAGS: ENRG EIND BDIS BB

SUBJ: MOBIL PROBLEM MOVES TO FRONT BURNER

REFS: A) BRIDGETOWN 1173 B) BRIDGETOWN 1738 (DEC 1973)

SUMMARY: PROBLEM OF MOBIL REFINERY'S CHRONIC LOSSES (REFTEL A)
HEATED UP DRAMATICALLY AUG 28 WHEN MOBIL, MAINTAINING THAT GOB
HAS NOT FOLLOWED THROUGH ON RECENT ASSURANCES, HALTED OFF-
LOADING OF CRUDE IN MID-DELIVERY FROM TANKER AND REFUSED FURTHER
ACTION UNLESS GOB GUARANTEES PAYMENT FOR SHIPMENT. HALF-FULL
TANKER NOW LIES OFFSHORE AWAITING FURTHER INSTRUCTIONS WHILE
GOB TRADE MINISTER BRANDFORD TAITT HAS TOLD MOBIL THAT LATTER'S
ACTION HAS CREATED "GRAVE SITUATION" AND SAID THAT HE WOULD HAVE
TO TAKE MATTER TO PRIME MINISTER. MOBIL NOW AWAITING TAITT
WHO SAID HE WOULD RESPOND "LATER TODAY," END SUMMARY.

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1. MOBIL CLAIMS THAT IT HAS BEEN PRODDING GOB FOR SPECIFIC RESPONSE ON ITS REQUEST FOR FINANCIAL RELIEF FROM LOSSES EVER SINCE INITIAL MEETING ON SUBJECT (REFTEL A). GOB DID SEND AUDIT TEAM WHICH EXAMINED MOBIL BOOKS AND RECOGNIZED, ON INFORMAL BASIS, THAT REFINERY WAS FACING A SERIOUS LOSS PROBLEM. AS TIME DREW NEAR FOR ARRIVAL OF QUARTERLY CRUDE SHIPMENT, MOBIL PRESSED GOB FOR DECISION AND, DESCRIBING ITS FINANCIAL TROUBLES AND DISCLOSING THAT MOBIL HOME OFFICE WOULD EXTEND NO FURTHER GUARANTEES FOR OPERATIONS OR CRUDE PURCHASES, STATED THAT IT COULD NOT ACCEPT SHIPMENT WITHOUT ASSURANCES AGAINST FURTHER LOSSES.

2. MOBIL STATES THAT IT ASKED FOR AND RECEIVED ASSURANCES ON AUG 23 FROM TAITT THAT GOB CABINET HAD APPROVED PRICE INCREASES REPEAT PRICE INCREASES WHICH WOULD ENABLE REFINERY TO CONTINUE OPERATIONS. MOBIL CLAIMS THAT TAITT WAS WELL AWARE THAT MOBIL REQUIRED ABOUT US 4 CENTS ADDITIONAL PER GALLON ON ALL PRODUCTS TO COVER ADEQUATELY ITS LOSSES (MOSTLY FOR PURCHASE OF MIXING FEEDSTOCKS). FOLLOWING TAITT'S ASSURANCES, MOBIL BROUGHT TANKER IN AUG 25 TO BEGIN OFFLOADING. TAITT THEN ANNOUNCED TO MOBIL AUG 27 THAT MEASURES TO RESOLVE REFINERY PROBLEM CONSISTED, NOT OF PRICE INCREASES, BUT SCHEME TO HAVE LOCAL MARKETING AGENTS AND OTHERS (SHELL, ESSO, TEXACO, MOBIL, REIMBURSE REFINERY US 2.5 - 3 CENTS PER GALLON OF PRODUCT FROM THEIR PROFITS OF APPROXIMATELY US 9 CENTS PER GALLON. GENERAL CRUDE IS TO SUPPLY LOCALLY-DRILLED CRUDE AT LOW COST AS PART OF PLAN. MOBIL HOLDS THAT SUCH REIMBURSEMENT IS INSUFFICIENT IN FIRST INSTANCE AND THAT, FURTHERMORE, THERE IS NO ASSURANCE THAT MARKETING AGENTS OR THEIR HOME OFFICES WILL EVEN AGREE TO SUCH AN ARRANGEMENT. AFTER OBTAINING APPROVAL OF NEW YORK OFFICE (F. ADAMS, REGIONAL VP, MOBIL SOUTH), MOBIL THEN TOLD TAITT MORNING AUG 28 THAT IT WOULD REFUSE FURTHER OFFLOADING OF ANY MORE CRUDE UNLESS GOB WOULD PROVIDE LETTER OF CREDIT FOR SHIPMENT. TAITT, ACCORDING TO REFINERY MANAGER, THEN CLAIMED THAT MOBIL STANCE HAD CREATED "GRAVE SITUATION" AND THAT HE WOULD HAVE TO CONFER WITH PM AND CABINET COLLEAGUES. HE PROMISED MOBIL RESPONSE "SOMETIME TODAY" (AUG 28).

3. MOBIL CLAIMS THAT UNTIL AUG 23 ASSURANCES FROM TAITT, NO SPECIFIC RESPONSE HAD BEEN RECEIVED FROM GOB RE SOLUTION LIMITED OFFICIAL USE

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OF PROBLEM DESPITE REPEATED APPROACHES TO GOB BY PHONE AND LETTER ON MOBIL'S PART. MOBIL DID SAY GOB PROVIDED "VAGUE LETTER" FROM TRADE MINISTRY PERMSEC ON AUG 19 WHICH RECOGNIZED THAT PRESENT LOSS SITUATION UNFAIR TO MOBIL AND SAID THAT GOB WOULD "TAKE ALL POSSIBLE STEPS TO PREVENT CLOSURE WITHOUT PLACING AN UNDUE BURDEN ON CONSUMER." LETTER ADDED THAT, IN EVENT OF REFINERY CLOSURE, IT EXPECTED "DUE NOTICE IN ACCORDANCE WITH OUR AGREEMENTS." (MOBIL CLAIMS AGREEMENTS CONTAIN NOTHING ABOUT

SUCH NOTICE). MOBIL CONSIDERS THAT RESPONSE WAS TOO VAGUE IN VIEW OF SERIOUS FINANCIAL CONDITION OF LOCAL REFINERY.

4. MOBIL PREDICAMENT RECEIVED POLITICAL ATTENTION HERE ON AUG 20 WHEN OPPOSITION LEADER J.M.G. (TOM) ADAMS MADE STRONG PLEA TO GOVERNMENT TO KEEP DOWN PRICE OF OIL. REFERRING TO ENORMOUS PROFITS MADE BY OIL COMPANIES FOLLOWING LARGE 1973-1974 INCREASES IN CRUDE PRICES, ADAMS DECLARED THAT "IF MOBIL OIL WANTS TO GET OUT OF BARBADOS, WE SHOULD BE ABLE TO GIVE THEM A HELPING HAND. IMPORTATION OF FUEL IS TOO IMPORTANT A MATTER TO REMAIN OUTSIDE GOVERNMENT CONTROL". ADAMS HAS PREVIOUSLY CRITICIZED MOBIL'S MONOPOLY IN CALLING FOR GOB CONTROL OF REFINERY PROCESS.

5. MOBIL HOLDS THAT MODEST PRICE INCREASE WOULD BE MORE APPROPRIATE SOLUTION OF PROBLEM THAN GOB PLAN AND THAT SUCH AN INCREASE WOULD STILL LEAVE BARBADOS PRICES BELOW OTHER AREAS IN REGION, E.G. GASOLINE COSTS BDS \$2.22 IN JAMAICA AND BDS \$2.49 IN MARTINIQUE VS BDS \$1.50 IN BARBADOS. IN LDC ISLANDS, ACCORDING TO LOCAL REFINERY, PRICES ARE SLIGHTLY LOWER THAN IN BARBADOS BUT GOVERNMENTS TAKE MUCH SMALLER TAX BITE, E.G. ST VINCENT GASOLINE COSTS BDS \$1.44 WITH 29 CENTS TAX AS OPPOSED TO BARBADOS' \$1.50 WITH 46 CENT TAX.

6. IMMEDIATE PROBLEM INVOLVES ONLY PAYMENT FOR CURRENT CRUDE SHIPMENT (TALLING ABOUT US \$2 MILLION) BUT MOBIL EMPHASIZES THAT PROBLEM OF LOSSES MUST BE SETTLED SOON IN AN ACCEPTABLE FASHION. REFINERY HAS ABOUT 2-3 WEEKS SUPPLY OF CRUDE (WITHOUT CURRENT SHIPMENT) ON HAND.

7. COMMENT: MOBIL PROBLEM, WHICH HAS CERTAINLY NOT BEEN HELPED BY RECENT COMMENTS OF OPPOSITION LEADER, COMES TO HEAD AT MOMENT WHEN GOB IS VERY MUCH PREOCCUPIED WITH HIGHLY CONTROVERSIAL LIMITED OFFICIAL USE

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QUESTION OF CONSTITUTIONAL AMENDMENTS (SEE SEPTTEL REPORTING) DUE FOR VOTE SOMETIME TODAY (AUG 28). WHILE MOBIL SQUEEZE AND PROBLEM OF PRICE INCREASES HAVE BEEN DISCUSSED IN HOUSE OF ASSEMBLY AND HAVE APPEARED IN LOCAL MEDIA, DETAILS OF CURRENT IMBROGLIO HAVE NOT BEEN MADE PUBLIC.

8. WE ARE NOT IN POSITION TO COMMENT ON MOBIL'S PROFIT SITUATION WORLDWIDE, BUT IN REGIONAL TERMS MODEST PRICE INCREASE OR REIMBURSEMENT OF MAGNITUDE SOUGHT DOES NOT APPEAR TO BE UNREASONABLE. IT IS UNFORTUNATE THAT THIS PROBLEM HAS TO ARISE AT TIME WHEN GOB HAS TO FACE POPULAR BACKLASH FROM ITS EFFORTS TO AMEND CONSTITUTION AND RISING CONSUMER MILITANCY OVER A STAGGERING INFLATION. NEVERTHELESS, SMALL, UNPROFITABLE SCALE OF REFINERY, RELATIVELY HIGH LEVEL OF GOB FUEL TAXES AND INCREASED COSTS OF ALL MANNER OF PETROLEUM PRODUCTS APPEAR

TO LEND SUBSTANCE TO MOBIL POSITION. BALL IS IN GOB COURT AND
HAS TAKEN FIRST BOUNCE.
SIMMS

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Message Attributes

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Draft Date: 28 AUG 1974
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